

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Hillsdale County Parks Commission	County Hillsdale
Fiscal Year End December 31, 2006	Opinion Date May 4, 2007	Date Audit Report Submitted to State May 16, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

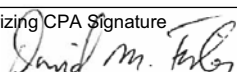
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number 517.787.6503		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49204
Authorizing CPA Signature 		Printed Name David M. Fisher, CPA		License Number 10337

HILLSDALE COUNTY PARK COMMISSION

Hillsdale, Michigan

FINANCIAL STATEMENTS

For The Year Ended December 31, 2006



REHMANN ROBSON

Certified Public Accountants

HILLSDALE COUNTY PARK COMMISSION

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Basic Financial Statements for the Year Ended December 31, 2006	
Statement of Net Assets and General Fund Balance Sheet	2
Reconciliation of General Fund Balance Sheet to Statement of Net Assets	3
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance	4
Reconciliation of the General Fund Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	5
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	6
Notes to Financial Statements	7-11



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

 an independent member of
BAKER TILLY
INTERNATIONAL

INDEPENDENT AUDITORS' REPORT

May 4, 2007

Members of the Board of County
Park Commissioners
County of Hillsdale, Michigan
Hillsdale, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the **HILLSDALE COUNTY PARK COMMISSION**, a special revenue fund of Hillsdale County, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the Park Commission's financial statements, as listed in the table of contents. These financial statements are the responsibility of the Hillsdale County Park Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements present only the Hillsdale County Park Commission Special Revenue Fund of the County of Hillsdale, Michigan, and do not purport to, and do not present fairly the financial position of the County of Hillsdale, Michigan, as of December 31, 2006, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the **Hillsdale County Park Commission** as of December 31, 2006, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Commission has not presented Management's Discussion and Analysis as required supplementary information. The Governmental Accounting Standards Board has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.



BASIC FINANCIAL STATEMENTS

HILLSDALE COUNTY PARK COMMISSION

STATEMENT OF NET ASSETS AND GENERAL FUND BALANCE SHEET

December 31, 2006

<u>ASSETS</u>	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Cash and cash equivalents	\$ 26,078	\$ -	\$ 26,078
Interest receivable	96		96
Prepaid expense	525		525
Capital assets			
Assets not being depreciated	-	3	3
Assets being depreciated	-	188,619	188,619
<u>TOTAL ASSETS</u>	<u>\$ 26,699</u>	<u>188,622</u>	<u>215,321</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities			
Accounts payable	\$ 390	\$ 4,736	\$ 5,126
Accrued wages and taxes	1,202	-	1,202
Advances and deferred revenue	4,274	-	4,274
Due to other funds of Hillsdale County	4,736	(4,736)	-
Total liabilities	<u>10,602</u>	<u>-</u>	<u>10,602</u>
Fund balance/Net Assets			
Fund balance:			
Unreserved, undesignated	16,097	(16,097)	-
Total liabilities and fund balance	<u>\$ 26,699</u>		
Net assets			
Investment in capital assets		188,622	188,622
Unrestricted		16,097	16,097
Total net assets		<u>\$ 204,719</u>	<u>\$ 204,719</u>

The accompanying notes are an integral part of these financial statements.

HILLSDALE COUNTY PARK COMMISSION

Reconciliation of the General Fund Balance Sheet to the Statement of Net Assets

DECEMBER 31, 2006

Fund balances - General Fund	\$ 16,097
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>188,622</u>
Net assets of governmental activities	<u><u>\$ 204,719</u></u>

The accompanying notes are an integral part of these financial statements.

HILLSDALE COUNTY PARK COMMISSION

STATEMENT OF ACTIVITIES AND GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES			
Parks and recreation	\$ 63,551	\$ -	\$ 63,551
Parks and recreation capital outlay	394	(394)	-
TOTAL EXPENDITURES/EXPENSES	<u>63,945</u>	<u>(394)</u>	<u>63,551</u>
PROGRAM REVENUES			
Charges for services	39,738	(19,768)	19,970
Operating grants and contributions	<u>25,000</u>	<u>-</u>	<u>25,000</u>
TOTAL PROGRAM REVENUES	<u>64,738</u>	<u>(19,768)</u>	<u>44,970</u>
NET PROGRAM EXPENSES			<u>(18,581)</u>
GENERAL REVENUES			
Interest earned	<u>1,321</u>	<u>-</u>	<u>1,321</u>
NET CHANGE IN FUND BALANCES	2,114	(2,114)	
CHANGES IN NET ASSETS		(17,260)	(17,260)
FUND BALANCE/NET ASSETS, Beginning of year	<u>13,983</u>	<u>207,996</u>	<u>221,979</u>
FUND BALANCE/NET ASSETS, End of year	<u><u>\$ 16,097</u></u>	<u><u>\$ 188,622</u></u>	<u><u>\$ 204,719</u></u>

The accompanying notes are an integral part of these financial statements

HILLSDALE COUNTY PARK COMMISSION

Reconciliation of the General Fund Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

YEAR ENDED DECEMBER 31, 2006

Net change in fund balances - General Fund	\$ 2,114
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Add - capital outlay	394
Deduct - depreciation expense	<u>(19,768)</u>
Change in net assets of governmental activities	<u>\$ (17,260)</u>

The accompanying notes are an integral part of these financial statements.

HILLSDALE COUNTY PARK COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Parks General Fund

For the Year Ended December 31, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Community Center and house rentals	\$ 15,300	\$ 19,425	\$ 19,410	\$ (15)
Interest on investments	600	1,300	1,321	21
Contribution from Hillsdale County - regular	25,000	25,000	25,000	-
Miscellaneous	22,500	23,060	20,328	(2,732)
Total revenues	63,400	68,785	66,059	(2,726)
Expenditures				
Maintenance and repairs	2,750	3,050	2,531	(519)
Operating	28,250	27,430	26,568	(862)
Community Center	22,519	21,025	18,057	(2,968)
Administrative	17,955	16,980	16,395	(585)
Capital outlay	-	300	394	94
Total expenditures	71,474	68,785	63,945	(4,840)
Net change in fund balances	(8,074)	-	2,114	2,114
Fund balance, beginning of year	13,983	13,983	13,983	-
Fund balance, end of year	\$ 5,909	\$ 13,983	\$ 16,097	\$ 2,114

The accompanying notes are an integral part of these financial statements.

HILLSDALE COUNTY PARK COMMISSION

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Hillsdale County Park Commission (the “Park Commission”) conform to generally accepted accounting principles as applied to governmental units. The following is a summary of the significant policies.

Reporting Entity

The Hillsdale County Park Commission, referred to as the Park Commission, is a Special Revenue Fund of the County of Hillsdale, Michigan (“County”), and is used to control the expenditure of revenues from contributions from other local units of government for work performed by the Park Commission.

Basis of Presentation

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. *Governmental activities* are supported by charges for services and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues.

As permitted by GASB Statement No. 34, the Park Commission uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. The general fund, the sole major governmental fund, is reported as a separate column in the aforementioned financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements (statement of net assets and the statement of activity) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

HILLSDALE COUNTY PARK COMMISSION

NOTES TO FINANCIAL STATEMENTS

Governmental fund (general fund) financial statements (general fund balance sheet and general fund statement of revenues, expenditures and changes in fund balance) are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences not expected to be paid in the current year and claims and judgments, are recorded only when payment is due.

State and grant revenue, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

This element of the government reporting unit reports the following major governmental fund:

The *parks general operating fund* is this reporting unit's primary operating fund. It accounts for specific revenue sources that are legally restricted to expenditures for the County Park System.

Budgetary Data

The governmental fund is under formal budgetary control. The budget shown in the financial statements is adopted on a basis consistent with generally accepted accounting principles (GAAP), and is not significantly different from the modified accrual basis used to reflect actual results, and consists only of those amounts contained in the formal budget as originally adopted or as amended by the Board of County Park Commissioners. The budget for the Special Revenue Fund is adopted on a functional basis.

Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide statements (statement of net assets and statement of changes in net assets). Capital assets are defined by the Park Commission as assets with an initial cost of \$200 or more and an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded as capital expenditures at the time of purchase in the fund financial statements (general fund statement of revenues, expenditures and changes in fund balance) and are subsequently capitalized on the government-wide statements through an adjustment to the governmental fund (general fund) column.

The Park Commission provides for recording depreciation in the Parks Operating Fund as a charge to various expense accounts and a credit to the depreciation contra expense account. Accordingly, the annual depreciation expense does not affect the available operating fund balance of the General Operating Fund.

HILLSDALE COUNTY PARK COMMISSION

NOTES TO FINANCIAL STATEMENTS

Depreciation is recorded over the estimated useful lives (ranging from five to forty years) of the assets, using the straight-line method as follows:

	<u>Years</u>
Land improvements	10
Buildings	40
Equipment	5 to 10

2. CASH DEPOSITS AND INVESTMENTS

Deposits

At December 31, 2006, the amount of the Park Commission's deposits were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Petty cash	\$ 20	\$ N/A
Held by Hillsdale County checking and savings accounts	<u>26,058</u>	<u>26,099</u>
	<u>\$ 26,078</u>	<u>\$ 26,099</u>

Statutes authorize the Park Commission to invest funds in the following:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase
- Bankers acceptances of United States banks
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation
- External investment pools as authorized by Public Act 20 as amended through 12/31/97

HILLSDALE COUNTY PARK COMMISSION

NOTES TO FINANCIAL STATEMENTS

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the listing of authorized investments above. The Park Commission's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Park Commission has no investments at December 31, 2006.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Park Commission's investment policy does not have specific limits in excess of state law on investment credit risk. The Park Commission has no investments at December 31, 2006.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Park Commission's deposits may not be returned. State law does not require and the Park Commission does not have a policy for deposit custodial credit risk. As of December 31, 2006, deposits in the amount of \$26,099 held by Hillsdale County may be partially covered by federal depository insurance. The amount of federal depository insurance is determined for the County as a whole, but cannot be separately identified for the Park Commission.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Park Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Park Commission does not have a policy for investment custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Park Commission's investment policy does not have specific limits in excess of state law on concentration of credit risk. The Park Commission has no investments at December 31, 2006.

HILLSDALE COUNTY PARK COMMISSION

NOTES TO FINANCIAL STATEMENTS

3. CAPITAL ASSETS

Changes in the components of the capital assets are summarized as follows:

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
Capital assets not being depreciated:				
Land	\$ 3	\$ -	\$ -	\$ 3
Capital assets being depreciated:				
Land improvements	68,559	-	-	68,559
Buildings	319,494	-	-	319,494
Park equipment	20,777	300	199	20,878
Community Center Equipment	10,224	94	-	10,318
Subtotal	419,054	394	199	419,249
Accumulated depreciation:				
Land improvements	42,828	2,790	-	45,618
Buildings	146,482	13,254	-	159,736
Park equipment	12,730	3,138	199	15,669
Community Center Equipment	9,022	586	-	9,608
Total accumulated depreciation	211,062	19,768	199	230,631
Total capital assets being depreciated - net	207,993	(19,374)	-	188,619
Governmental activities capital assets - net	\$ 207,996	\$ (19,374)	\$ -	\$ 188,622

* * * * *